DOCUMENT RESUME

ED 416 793 HE 031 042

TITLE	Change in Oklahoma Financial Aid 1974-75 to 1994-95.
INSTITUTION	Oklahoma State Regents for Higher Education, Oklahoma City.
PUB DATE	1996-11-00
NOTE	24p.; Prepared by the Council on Student Affairs in Cooperation with the Oklahoma Association of Student Financial Aid Administrators.
PUB TYPE	Numerical/Quantitative Data (110) -- Reports - Descriptive (141)
EDRS PRICE	MF01/PC01 Plus Postage.
DESCRIPTORS	Access to Information; Comparative Analysis; *Economic Impact; Educational Finance; Educational Trends; *Federal Programs; Females; Higher Education; Males; National Surveys; Paying for College; Politics of Education; *Public Policy; Racial Distribution; *State Programs; State Surveys; Student Characteristics; Student Costs; *Student Financial Aid; Student Loan Programs; Trend Analysis
IDENTIFIERS	Debt (Financial); *Oklahoma

ABSTRACT

The report examines trends in federal and Oklahoma state student financial aid programs and distribution since 1974-75, looks at issues in student aid policy formation, and makes recommendations for state policy development, information dissemination, and program design and delivery. It begins with background information and a brief history of student financial aid in Oklahoma, including dollar amounts and distribution over twenty years and changes in both state and federal programs. It then summarizes the characteristics of students receiving aid over that period (distribution by racial/ethnic group and institution type) and the types of aid distributed, by institution type. Subsequent sections look at changes in the cost of attending college, by institution type, and trends in student loan indebtedness. Trends and concerns are then summarized, and specific recommendations are made. (Contains 15 endnotes.) (MSE)

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ED 416 793

CHANGE IN OKLAHOMA FINANCIAL AID 1974-75 to 1994-95

Prepared by the
Council on Student Affairs
in cooperation with the
Oklahoma Association of Student
Financial Aid Administrators

A Report to the
Oklahoma State Regents for Higher Education
State Capitol Complex, Oklahoma City

HE 031 042

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November 1996

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Change in Oklahoma Financial Aid
1974-75 to 1994-95

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Executive Summary

Overview:

This report serves as a preliminary examination of what student financial aid was in the past versus what it is today. Specifically, COSA believed it was not only important but timely to discern what kinds of shifts have occurred in student financial aid over the past 20 years; particularly for students enrolled in Oklahoma's public colleges and universities. From this review, it may be possible to consider what financial aid policy should guide Oklahoma higher education into the next century.

What We Have Learned:

- Financial aid policy is largely determined by the federal government. Nearly 70 percent of all the financial aid awarded in 1993-94 came from the U.S. Department of Education student financial aid programs.

- The Pell Grant Program has not been funded by Congress at the maximum level since 1980. The Pell Grant program helps undergraduate students pay for their education after high school. For many students Pell Grants provide a foundation of financial aid to which other aid may be added. Unlike loans, Pell Grants do not have to be repaid.

- The federal Reauthorization Act of 1992 established, for the first time, an unsubsidized component of the Stafford Loan Program which allows all students, regardless of need, to borrow federally guaranteed loans. This act not only lifted restrictions on who could borrow but also established higher loan limits.

- Since the early 1980s, there has been a conscious effort by the federal government to shift student financial aid from grants to loans. As a result, a class of indebted students who borrow more frequently, at higher levels, and at younger ages producing higher debts, both undergraduate and post baccalaureate has emerged. Nationally, in 1994-95 it is reported that students and their families borrowed approximately $26 billion dollars and are likely to borrow more than $50 billion dollars a year by 2000.

- There is sometimes general confusion as to the meaning of the "cost of a college education." The public often refers to the cost of a college education as the cost of tuition and fees. However, student financial aid administrators, in determining financial aid for a student, are required by law to construct a "cost of attendance" as a starting point for determining the amounts and types of aid a student may receive. Cost of attendance includes: tuition and fees normally assessed a student, and an allowance for books, supplies, room and board, and personal expenses along with transportation costs. It is this total expense (cost of a college education) on which a financial aid package is based.

- Loans are a major part of a student's financial aid package. It is clear that borrowers are borrowing not only to cover direct costs of attending college but also to cover indirect costs as well.

NATIONAL AND STATE COMPARISON ON FINANCIAL AID

ITEM DESCRIPTION	OKLAHOMA[1]	UNITED STATES[2]
Growth in higher education enrollments from 1980 to 1992[3]	13.8%	19.8%
Higher education enrollment as a percentage of total population in 1992[4]	5.7%	5.7%
Proportion of 1993 enrollment that was full-time[5]	59.5%	56.8%
Percentage of enrollment receiving financial aid in 1990[6]	36.4%	45.2%
Percentage of enrollment receiving financial aid in 1993[7]	45.1%	40.8%
Amount of financial aid dollars spent in 1987	$121.1 million	$20.2 billion
Amount of financial aid dollars spent in 1992	$392.4 million	$46.8 billion
Percentage of all financial aid comprised by loans in 1985[8]	38%	49%
Percentage of all financial aid comprised by loans in 1995[9]	49%	56%
Amount of federal loans provided in 1992	$47 million	$16 billion
Amount of federal loans provided in 1994	$196 million	$26 billion
Number of loan awards made in 1993	20,481	5,860,000
Number of loan awards made in 1995	74,128	7,722,000

[1]Unless otherwise specified, Oklahoma figures consist of the annual data for both undergraduates and graduates. [2]National figures are only available for the fall term. [3]Oklahoma figures and national figures include fall enrollments only. [4]Oklahoma figures calculated for fall enrollments only. [5]Oklahoma figures and national figures include fall enrollments only. [6]Both the Oklahoma and the national figures include both graduate and undergraduate students. [7]Both the Oklahoma and the national figures include both graduate and undergraduate students. The national figure differs from that given in the report because it includes the graduate students whereas the figure in the report includes only undergraduates. [8]Oklahoma figures include annual totals. National figures include only fall totals. [9]Oklahoma figures include the annual totals. National figures include only fall totals.

Recommendations:

Given its review of financial aid, the Council on Student Affairs proposes the following recommendations:

- Oklahoma's higher educational leaders must encourage their congressional delegation to restore the Pell Grant Program to its original promise and purchasing power. Recently, Congress authorized and the President signed a budget measure designed to increase maximum Pell Grant awards in 1997-98 from $2,470 to $2,700, a $230 dollar increase. The college work-study program, on the other hand, will receive $830 million, or a 35 percent increase over 1996. However, those gains will be neutralized given increased college costs.

- The State Regents must lead a discussion designed to find alternatives to loans for at-risk students. For those students who complete their degree programs, the economic returns from a college education are generally high, and debt levels are manageable for most. However, we must raise questions about the risk of excessive loan borrowing—and find alternatives—for: low-income students unfamiliar with and who might be deterred by debt, first generation students and/or nontraditional students struggling to survive academically and financially, and students who prefer to prepare themselves in career fields that yield a low to moderate annual income.

- Current and future college students should be educated and informed about the short and long term impact of borrowing to finance college costs. Higher education policy makers as well as the higher education community must clearly articulate to students and their families -- in meaningful ways -- the implications and responsibilities they bear for taking on increasing college debt burdens.

- A Regents' Education Program that focuses on the impact loans have on Oklahoma students (including traditional, nontraditional, and adult students) will serve to bring attention/awareness as well as offer a forum where common solutions might take shape to address this escalating trend.

- Educational Planning and Assessment System (EPAS) not only assists high school students, their parents, and counselors to better prepare for college, but also serves as a career assessment tool. FOCUS, on the other hand, is a postsecondary education planning system designed to assist 7th, 9th, and 11th grade students and their parents with early financial planning for college. The two initiatives should be linked together in such a way as to build on their individual strengths. Career assessment (which includes potential earnings) should serve as a gauge as to how much students might save and borrow given their earning potential.

- A thoughtful and comprehensive reexamination of Oklahoma's student aid programs and delivery system is in order. Given the enormous reliance on loans by Oklahoma students along with changing student demographics, now might be the time for the State Regents to evaluate the effectiveness of Oklahoma's student aid delivery programs and system enhancements required in the program as we move into the 21st century.

- The State Regents, in consultation with system institutions, should lead a discussion to determine whether or not there are incentives that might encourage timely completion of degrees or student education objectives thereby reducing student costs.

- The OneNet communications network offers an enormous potential to allow students access to relevant and timely information. On-line access to information regarding student financial aid, in general, and specific information that details what a student must pay back and how long it takes depending on the amount borrowed should be included. The Oklahoma Kiosk model should be expanded to include these student services and to serve other areas of the state.

- Given the inability to answer some questions regarding student financial aid due to data limitations, a financial aid data collection system should be designed that allows State Regents to answer questions important to a better understanding of financial aid and its impact on all of Oklahoma's college students.

Introduction

A part of the workplan for the Council on Student Affairs (COSA) for 1995-96 included the examination of the impact on the shift from grants to loans on college students. The State Regents requested the Council to study the effects of student loan indebtedness on the students enrolled in Oklahoma's public colleges and universities. The Council has begun this process by examining the role loans have played and are playing in the formation of financial aid for students. To do this, the Council has examined the historical and current relationship of student loans to other types of financial aid. This report has been prepared under the auspices of COSA with the advice and counsel of the Oklahoma Association of Student Financial Aid Administrators.

In 1975-76, the first year data was collected in detail on Oklahoma public statewide financial aid, almost one student in three received some form of financial aid. By 1994-95, that figure at the four-year institutions had climbed to more than one in two students or 54 percent of the unduplicated enrollment were receiving some form of financial aid. In addition, the annual dollar amount had also risen from an average of $943 per financial aid recipient to $3,901 per recipient.

The total amount in actual dollars of financial aid in Oklahoma public institutions in 1975 equaled $39,147,573; by 1995, it was $392,439,682, a ten-fold increase in the dollar amount. From 1988 to 1995, Oklahoma college fees and tuition increased approximately one-third as much as the amount for student loans. With more than half of the student population depending in some degree on this source of income, COSA believes the time is here to re-examine the current structural behaviors and consider the range and impact of financial aid on students, families, institutions, the system, and the state.

Up to this point, the majority of financial aid "policy" has largely been determined by the federal government. In 1993-94 for example, nearly 70 percent of all student aid awarded came from the U.S. Department of Education student financial aid programs.

Instead of financial aid being supplemental assistance to less than one-third of the students, it is a major source of income to more than one-half of the students. The majority of students enrolled in public colleges and universities are now receiving some form of financial aid. Everything has gone up, tuition, living cost, etc. What kind of aid is it today compared to the past?

This report presents a preliminary examination of what student aid has been and what it is now. The report will also, to a degree, examine the impact of the shifts in types of financial aid awards. From this beginning, it may be possible to consider what financial aid policy should guide Oklahoma higher education into the next century.

NOTE: The dollar amounts used in this report reflect the actual dollar amounts for the year which is referenced unless stated otherwise. The only exception is on page 11 of this report when the potential loan indebtedness of a student was calculated. In this case, constant dollars were used with the consumer price index based on 1994-95 dollars.

History of Financial Aid

Historically, public higher education has always balanced the investment of resources for the public good with the investment of resources for the good of the individual student. Prior to World War II, all of private higher education and most of public higher education were seen as benefitting the individual more than the total public. In the post-World War II era that attitude shifted toward viewing higher education as a benefit to all of society. This shift began to manifest itself in several ways. One way in particular was the development of financial aid to students. In the 1960s this trend accelerated with the passage of several federal education acts influenced by, among other things, the call for "the Great Society" and the civil rights movement. Currently at the federal level, the call seems to be "balance the federal budget" even at the expense of reducing other federally funded programs. However, according to The Next Step, a report developed by The Institute for Higher Education Policy:

> ...Shifting demographics, increasing global economic relations, and evolving technology and industry have stepped up the need for education and further investment in the skills of our nation. Yet the resources available to address educational needs have diminished as other issues such as interest on the federal debt, increasing health care costs, and expanding entitlement costs have consumed greater portions of public funds...[1]
>
> ...At a time when the need for increasing levels of workforce education are growing--to fulfill the demands of our changing economy and industry and to address our many social ills--the investment in higher education must be strengthened, not reduced. More effective means of assisting students must be devised that answer the needs of a changing society and allow for accountability and responsibility on the part of all involved.[2]

In the 1960s, states paid 90 percent of the cost of a college education. More recently, the state of Oklahoma's share has been 75 percent of the cost of a college education, and the students or their family paid the balance. In the 1990s, many other states pay only 50 percent.[3]

OKLAHOMA PUBLIC INSTITUTIONS

As previously mentioned, the total amount of financial aid dollars awarded in all categories (loans, grants, scholarships, work-study, etc.) in 1974-75 was $39,147,573. In 1994-95, it increased to $392,439,682. The number of unduplicated financial aid recipients* has more than doubled from 41,510 in 1974-75 to 100,606 in 1994-95. This makes the average amount awarded per unduplicated recipient $943 in 1974-75 and $3,901 in 1994-95. The amount of money available and number of students did indeed constitute "aid" in 1974-75. By 1994-95, the number of people and the amount of money involved far exceeded the concept of "aid" and resemble more and more a major public "investment." *(Table 1)*

*An unduplicated financial aid recipient is defined as a student who has received some form of financial aid and is counted only once regardless of how many awards received.

Table 1
AVERAGE DOLLAR AMOUNT OF FINANCIAL AID PER UNDUPLICATED FINANCIAL AID RECIPIENT IN OKLAHOMA PUBLIC INSTITUTIONS

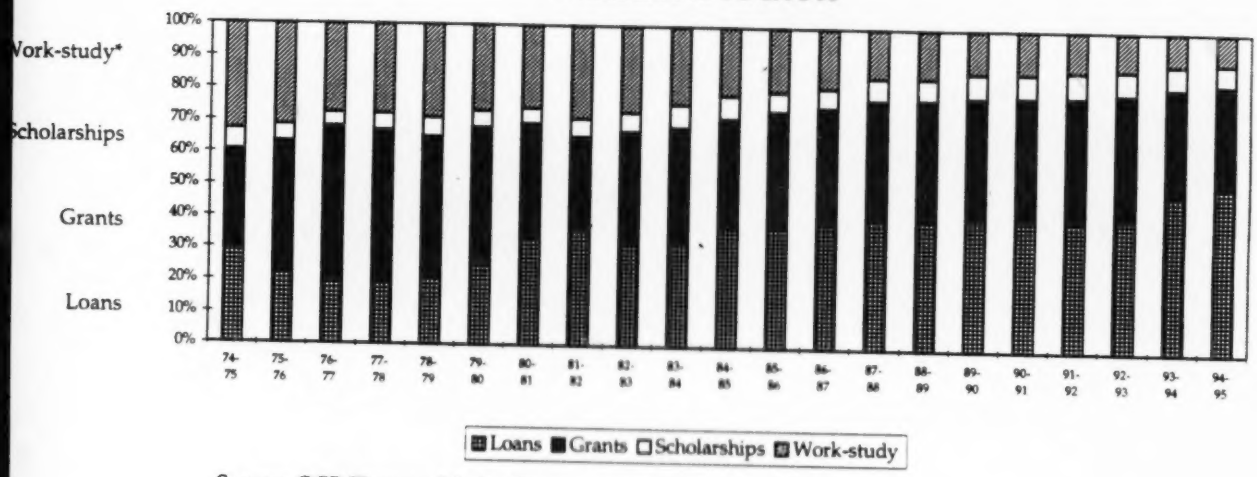
Year	Unduplicated Financial Aid Recipients	Percent Cum. Growth	Total Financial Aid Dollars	Percent Cum. Growth	Average Dollars Per Unduplicated Recipient	Percent Cum. Growth
1975	41,510	0%	$39,147,573	0%	$943	0%
1980	56,732	37%	$78,852,679	101%	$1,390	47%
1985	67,067	62%	$121,150,165	209%	$1,806	92%
1990	78,631	89%	$241,341,328	516%	$3,069	225%
1995	100,606	142%	$392,439,682	902%	$3,901	314%

Source: OCR Thousand Series B3

THE SHIFT FROM GRANTS TO LOANS

The distribution of financial aid dollars shows loans steadily increasing since the late 1970s while work-study has steadily decreased from 33 percent in 1974-75 to 10 percent in 1994-95. Scholarships have virtually remained unchanged. The proportion of grants has also decreased but not as rapidly as loans have increased. Loans comprised 30 percent of all financial aid dollars in 1974-75 and were 52 percent in 1994-95. *(Figure 1)*

Figure 1
THE PERCENTAGE DISTRIBUTION BY CATEGORY OF TOTAL FINANCIAL AID DOLLARS AT OKLAHOMA PUBLIC INSTITUTIONS FROM 1974-75 TO 1994-95



Source: OCR Thousand Series B3
*Work-study (federal and institutional) is defined as all student employment at the institution regardless of funding source.

The Pell Grant program, in particular, has not been funded by Congress at the maximum awards level since 1980. Nationally, the federal loan/grant mix of financial aid changed from 48 percent loans and 47 percent grants in 1981 to 72 percent loans and 26 percent grants by 1994.[4] In Oklahoma, the same loan/grant mix changed from 38 percent loans and 36 percent grants in 1985-86 to 52 percent loans and 32 percent grants in 1994-95.

In addition to making loans more readily available, Oklahoma financial aid policy has also resulted in the increasing of grants available to students through such programs as the Regents'

Fee Waiver Scholarships, Oklahoma Tuition Aid Grant (OTAG), Academic Scholars, Oklahoma Higher Learning Access Program (OHLAP), National Guard Fee Waiver, and other smaller grant programs. Even with the addition of these Oklahoma grant programs, the proportion of loans for Oklahoma has continued to grow.

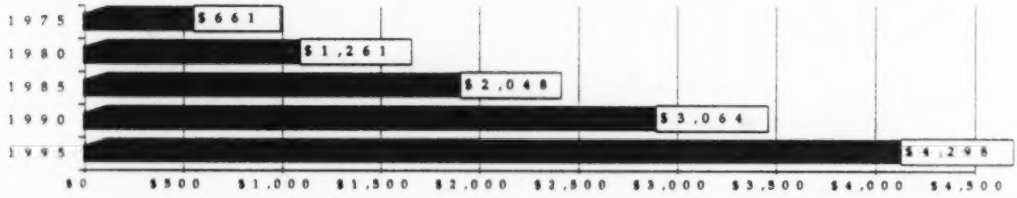
The federal Reauthorization Act of 1992 established an unsubsidized component of the Stafford Loan Program which allows all students, regardless of need, to borrow federally guaranteed loans. This act not only lifted the restriction on who could borrow but also established higher loan limits on other federal loans.[5] Concerned financial aid administrators have attempted, on a case by case basis, to limit students' loan borrowing. Limiting student borrowing is not a popular thing to do even if they wish to establish institutional policies as its ramifications are far-reaching. The effects of the Reauthorization Act could be significant. According to The Education Resources Institute (TERI), if borrowing continues increasing at its current rate of roughly 17 percent, by the year 2000 the cumulative Federal Family Education Loan volume will be $393 billion which is almost twice the volume of loans in 1995. TERI also states that borrowing in the 1990s is equal to the amount borrowed in the 1960s, 1970s, and 1980s combined.

DATA COLLECTION

The data used in this report has been collected by surveying the institutions annually since 1974 which provides over 20 years of data. The data supplies information on four broad categories of financial aid: grants, loans, scholarships, and work-study. The summary of these reports shows aggregate numbers on the number of awards by category, race, sex, and dollar amounts. In addition, the total number of unduplicated aid recipients is provided by race and sex. In this data, as in actual practice, a student may receive an award in one or multiple categories. The number of "unduplicated recipients" counts the student once in the year regardless of the number of awards within the year the student receives. Included in the data are undergraduate, graduate, and professional students, as well as full-time and part-time students. When referring to comprehensive institutions, Oklahoma State University College of Osteopathic Medicine and College of Veterinary Medicine as well as the University of Oklahoma Health Science Center and the College of Law are included in the data. Information by tier has only been compiled since 1988-89.

Figure 2 depicts the actual dollar amount per average loan award from 1975 to 1995. While the total average aid package per student increased approximately four-fold from 1975 to 1995, loans increased by a multiple of six times in the same period.

Figure 2
AVERAGE DOLLAR AMOUNT OF LOANS PER UNDUPLICATED RECIPIENT
OKLAHOMA PUBLIC INSTITUTIONS 1975 THROUGH 1995

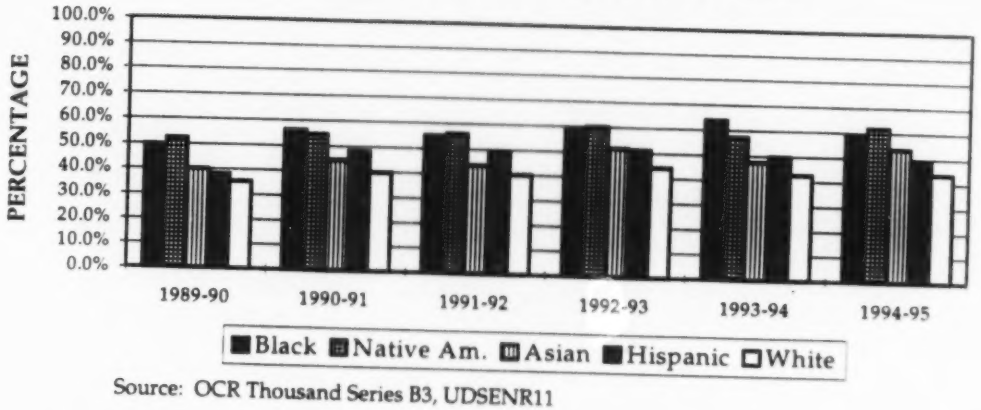


Source: OCR Thousand Series B3 Note: These are loans packaged only through the institutional offices of financial aid.

Students Receiving Aid

Currently, financial aid programs nationwide serve approximately 43 percent of the 16 million students enrolled in postsecondary education according to The Education Resource Institute. Other sources indicate that it is over 50 percent at public institutions nationally.[6] In Oklahoma public institutions, 45 percent of all the unduplicated headcount enrollment received financial aid in 1994-95, and it was over 50 percent at the four-year and comprehensive institutions. By race, over half of all unduplicated headcount enrollment in the categories Black, Native American, and Asian received some form of financial aid in 1994-95. *(Figure 3)*

Figure 3
PERCENT OF UNDUPLICATED HEADCOUNT ENROLLMENT RECEIVING FINANCIAL AID IN OKLAHOMA PUBLIC INSTITUTIONS BY RACE

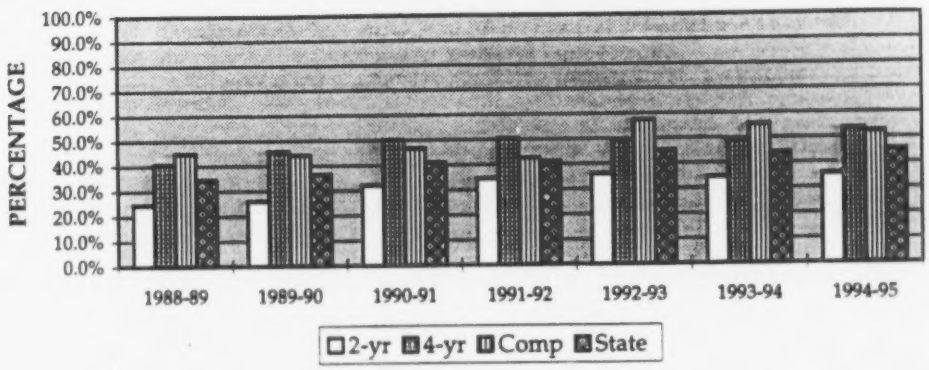


Source: OCR Thousand Series B3, UDSENR11

- Black students comprised 7.3 percent of the student body in 1994-95 and received 9.8 percent of the aid. Of these Black students, 59 percent received financial aid in 1994-95 compared to 49.6 percent in 1989-90.
- Native American students comprised 7.6 percent of the student body in 1994-95 and received 9.5 percent of the aid. Of these Native American students, 61.8 percent received financial aid in 1994-95 compared to 52.1 percent in 1989-90.
- Asian students comprised 2.2 percent of the student body in 1994-95 and received 2.5 percent of the aid. Of these Asian students, 53.6 percent received financial aid in 1994-95 compared to 40.2 percent in 1989-90.
- Hispanic students comprised 2.0 of the student body in 1994-95 and received 2.4 percent of the aid. Of these Hispanic students, 49.2 percent received financial aid in 1994-95 compared to 38.2 percent in 1989-90.
- From 1989-90 to 1994-95, the Asian category had the greatest percentage point increase, 13.4, in the number of unduplicated enrollment receiving aid, while Hispanic followed closely with 11.0 percentage points.

- The distribution of financial aid dollars is equitably distributed among race categories.
- Those race and ethnic categories that have a proportionately lower socioeconomic structure are represented at a higher rate within the distribution.
- The shifts in volume within categories of aid are not disproportionately different by race.

Figure 4
PERCENT OF UNDUPLICATED HEADCOUNT ENROLLMENT RECEIVING FINANCIAL AID IN OKLAHOMA PUBLIC INSTITUTIONS BY TIER



Source: OCR Thousand Series B3, UDSENR11

- The comprehensive tier had the smallest increase in proportion of their enrollment receiving financial aid. The comprehensive institutions had 52.2 percent of their unduplicated headcount enrollment receiving aid in 1994-95, up from 44.9 percent in 1988-89 or 7.3 percentage points.
- The four-year tier was on the other end of the spectrum with the highest increase of their enrollment receiving aid. The four-year institutions had 53.5 percent of their unduplicated headcount enrollment receiving some form of financial aid in 1994-95, up from 40.7 percent in 1988-89 or 12.8 percentage points.
- The two-year institutions had 35.4 percent of their unduplicated headcount enrollment receiving some form of financial aid in 1994-95, up from 24.5 percent in 1988-89 or 10.9 percentage points.
- Statewide, the number of unduplicated loan recipients has nearly doubled in the past 10 years.
- Over time, the increase in proportion of headcount enrollment receiving aid has gone from one in three in 1974-75 to one in two in 1994-95.
- Tier data has been available for the past seven years and in that time each tier has grown steadily in relation to overall state growth.

Types of Financial Aid for the State and Tiers by Race and Sex

Scholarships

From 1988-89 to 1994-95, scholarships have held a steady proportion of the financial awards at the comprehensive and four-year institutions. Two-year institutions have had a slight downturn in scholarships. Overall, however, scholarships have been a relatively stable award category among tiers. Racial categories at the comprehensive institutions show the same trend towards stability except for Native Americans and Asians which had significant increases.

Work-Study

Work-study is defined as work listed as all student employment at the institution regardless of funding source. Work-study has proportionally decreased across the system and at each tier from 1988-89 to 1994-95. This decrease is consistent with the 20-year trend for the system shown in Figure 1. The trend is the same for each race and ethnic category across the tiers as well as the system with one notable exception. While every other group has had a decrease in work-study involvement, the Asian students at the comprehensive universities have actually increased in this award category, going from 15.3 percent in 1988-89 to 17.1 percent in 1994-95.

> According to the most recent figures from the National Center for Education Statistics, almost half--46 percent--of all 16- to 24-year-old full-time college students were employed and about one-fourth worked at least 20 hours per week. In addition, approximately 85 percent of 16- to 24-year-old part-time college students were employed, with 75 percent working at least 20 hours per week.[7]

Grants

Grants, too, have declined proportionately within comprehensive and four-year institutions from 1988-89 to 1994-95. The most precipitous decline was at the four-year institutions with a 10.8 percentage point decline followed by the comprehensive institutions with a 4.6 percentage point decline. The two-year institutions, however, did not experience such a large decline, moving only 1.1 percentage points down. In addition, at the two-year institutions, grants remained the primary source of financial aid over this period. By race, grants declined proportionally the same at the comprehensive and four-year institutions and held proportionally the same at the two-year institutions. As in the scholarship category, the Native Americans, however, did have a notable change at the comprehensive and four-year institutions. The percentage points for grants went down at about the same proportion as the percentage points for scholarships went up. This is most probably a shift in reporting category rather than a shift in aid types.

- Federal grant aid to students showed no increase over the past year. Historically, the maximum Pell Grant awards have paid for nearly one-half of the cost of

education in public institutions. Today, the maximum Pell Grant awards pay for less than one-third of the cost of education in the public sector.[8]

Loans

The data provided indicates that during this period (1988-89 to 1994-95) loans continued to grow as a proportion of the total aid package systemwide. The largest growth in loans as a percentage of financial aid awards occurred at the four-year institutions, going from 35.7 percent of all awards in 1988-89 to 49.5 percent in 1994-95. The comprehensive institutions followed the same trend going from 46.1 percent to 58.8 percent. The two-year rise was somewhat less, going from 33.0 percent to 39.3 percent. At the comprehensive institutions, loans comprised almost three-fifths of the financial aid package. To some degree, this proportion is due to inclusion of the doctoral and professional students in the data. On the other hand, the loan volume at the four-year institutions is also high at 49.5 percent.

- Not all financial aid decreases the cost of education. Scholarships, grants, and work-study do act to decrease the cost of education to the student. Loans defer and increase the cost of education similar to other consumer borrowing practices.
- One-third of the students enrolled at Oklahoma's two-year institutions will go on to bachelor's degree granting institutions and be able to participate in the financial aid system at that level.

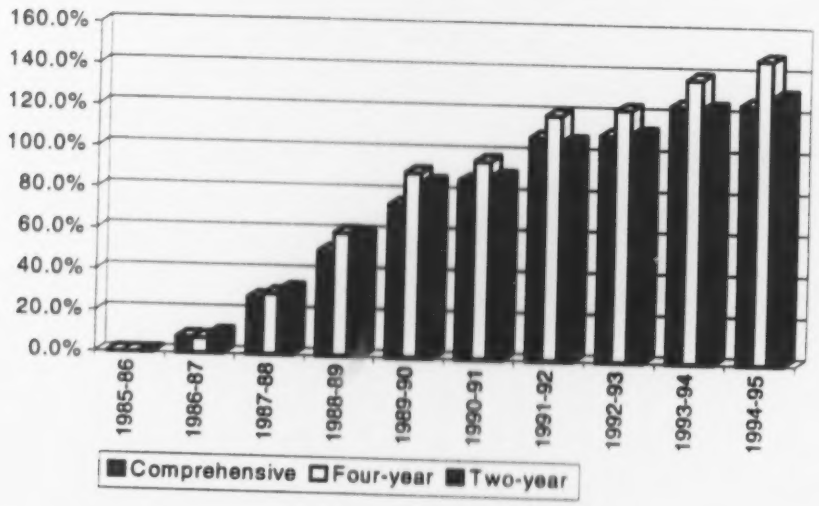
Cost of Attending College

Although the cost of attending college has increased over the past 10 years, data shows that students continue to enroll in higher education. In fact, college-going rates have risen in Oklahoma and across the nation.

In a series of recent focus groups, the higher education community asked participants what they thought it cost to attend four different types of colleges and universities, and what it should cost to attend those institutions. In response, the public thinks that the average student at a public university faces a tuition bill of $5,130 and believes that $3,767 would be a fair price. In reality, as Department of Education statistics show, the nationwide average for tuition at a public university is $2,982, more than half the public's estimated price, and well below the "fair" price the public would be willing to pay. Indeed, in the case of both community colleges and public universities, the public thinks that a "fair" price is one that exceeds the national average.[9]

Given the public's expectations of college costs, public higher education in Oklahoma still remains a bargain.

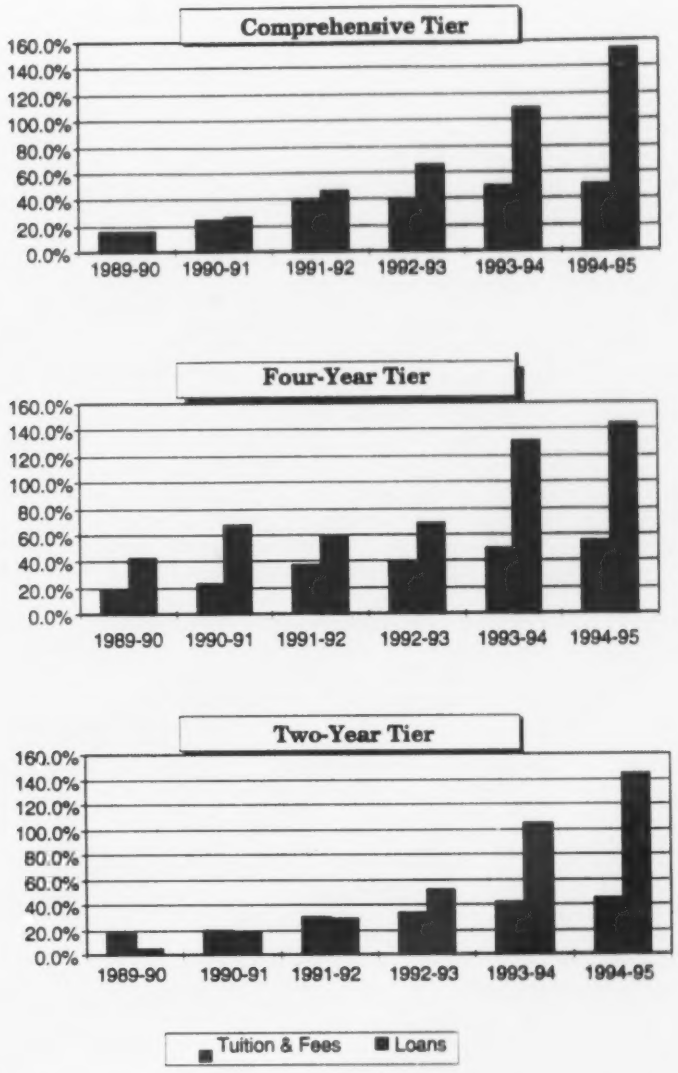
Figure 5
TEN-YEAR UNDERGRADUATE TUITION AND FEES BY TIER FOR OKLAHOMA PUBLIC INSTITUTIONS



Source: Oklahoma State Regents for Higher Education Student Cost Report

Figure 6 shows that loans have increased three times as fast as tuition and fees. At the comprehensive level, the amount of loans has increased by 153 percent. At both the four-year and two-year institutions, loans increased by 144 percent from the base year 1988-89. It is important to note that the largest increase in loan amounts has been within the last three years of the data.

Figure 6
CUMULATIVE PERCENT INCREASES OF ACTUAL DOLLAR AMOUNTS TUITION COMPARED TO LOANS



Source: OCR Thousand Series, Student Cost Report by Oklahoma State Regents For Higher Education

Potential Loan Indebtedness

Nationwide loan funds nearly doubled in five years from 13 billion in 1990-91 to 26 billion in 1994-95.[10] Those funds were as readily available in Oklahoma as in other states.

Table 2 looks at the average loan amount per unduplicated recipient in the State System per year. An unduplicated recipient may be anyone from a freshman to a medical student. Therefore, the actual impact described for the system as a whole may be less for any individual or in many cases much worse. With only the aggregate data available, the range of impact on individuals cannot be known.

As Tables 2 and 3 indicate, if a student enrolled in an Oklahoma public institution in 1985-86 and obtained an average loan each year and graduated in 1990-91, the student could have had a loan debt of $19,468 in constant dollars.[11] As compared to starting in 1989-90 and graduating in 1994-95 with a $22,430 debt, the accumulated loan debt would have increased 15 percent in just five years.

- In Oklahoma, the one-year average loan debt from 1985-86 to 1994-95 went from $2,887 to $4,298, an increase of 48.9 percent.
- Nationally, the average college undergraduate leaves school $10,000 in debt says an Indianapolis-based USA Group.[12]
- With $10,000 in debt and using a standard 10-year repayment plan, students would owe about $123 a month, assuming a standard interest rate of eight percent.[13]
- USA Group Loan Services, which administers $4 billion of loans in repayment, surveyed students graduating within the past six months from four-year postsecondary institutions. Students were graduating with about $8,858 in student loan debt.[14]
- Although Education Department (ED) statistics tracked debt only through 1993, they found similar levels. The average debt for students attending public colleges and universities was $7,397; the debt for private institutions was $10,629, according to ED.[15]

Table 2
POTENTIAL ACCUMULATED AVERAGE LOAN INDEBTEDNESS
OKLAHOMA STATE SYSTEM

Academic Year	First Year	Second Year	Third Year	Fourth Year	Fifth Year	Sixth Year
1994-95	$4,298	$8,321	$11,826	$15,310	$18,799	$22,430
1993-94	$4,023	$7,528	$11,012	$14,501	$18,132	$21,439
1992-93	$3,505	$6,989	$10,478	$14,109	$17,416	$20,599
1991-92	$3,484	$6,973	$10,604	$13,911	$17,094	$20,065
1990-91	$3,489	$7,120	$10,427	$13,610	$16,581	$19,468
1989-90	$3,631	$6,938	$10,121	$13,092	$15,979	
1988-89	$3,307	$6,490	$9,461	$12,348		
1987-88	$3,183	$6,154	$9,041			
1986-87	$2,971	$5,858				
1985-86	$2,887					

Note: 1994-95 Constant dollars used. Includes undergraduate, graduate, and professional students.
Source: OCR Thousand Series B3

Table 3
CUMULATIVE PERCENT CHANGE IN
POTENTIAL ACCUMULATED AVERAGE LOAN INDEBTEDNESS
OKLAHOMA STATE SYSTEM

Academic Year	First Year	Second Year	Third Year	Fourth Year	Fifth Year	Sixth Year
1994-95	48.9%	42.0%	30.8%	24.0%	17.7%	15.2%
1993-94	39.3%	28.5%	21.8%	17.4%	13.5%	10.1%
1992-93	21.4%	19.3%	15.9%	14.3%	9.0%	5.8%
1991-92	20.7%	19.0%	17.3%	12.7%	7.0%	3.1%
1990-91	20.9%	21.5%	15.3%	10.2%	3.8%	0.0%
1989-90	25.8%	18.4%	11.9%	6.0%	0.0%	
1988-89	14.6%	10.8%	4.6%	0.0%		
1987-88	10.2%	5.0%	0.0%			
1986-87	2.9%	0.0%				
1985-86	0.0%					

Note: 1994-95 Constant dollars used. Includes undergraduate, graduate, and professional students.
Source: OCR Thousand Series B3

Summary and Recommendations

This report serves as a preliminary examination of what student financial aid was in the past versus what it is today. Specifically, COSA believed it was not only important but timely to discern what kinds of shifts have occurred in student financial aid over the past 20 years; particularly for students enrolled in Oklahoma's public colleges and universities. From this review, it may be possible to consider what financial aid policy should guide Oklahoma higher education into the next century.

What We Have Learned:

- Financial aid policy is largely determined by the federal government. Nearly 70 percent of all the financial aid awarded in 1993-94 came from the U.S. Department of Education student financial aid programs.

- The Pell Grant Program has not been funded by Congress at the maximum level since 1980. The Pell Grant program helps undergraduate students pay for their education after high school. For many students Pell Grants provide a foundation of financial aid to which other aid may be added. Unlike loans, Pell Grants do not have to be repaid.

- The federal Reauthorization Act of 1992 established, for the first time, an unsubsidized component of the Stafford Loan Program which allows all students, regardless of need, to borrow federally guaranteed loans. This act not only lifted restrictions on who could borrow but also established higher loan limits.

- Since the early 1980s, there has been a conscious effort by the federal government to shift student financial aid from grants to loans. As a result, a class of indebted students who borrow more frequently, at higher levels, and at younger ages producing higher debts, both undergraduate and post baccalaureate has emerged. Nationally, in 1994-95, it is reported that students and their families borrowed approximately $26 billion dollars and are likely to borrow more than $50 billion dollars a year by 2000.

- There is sometimes general confusion as to the meaning of the "cost of a college education." The public often refers to the cost of a college education as the cost of tuition and fees. However, student financial aid administrators, in determining financial aid for a student, are required by law to construct a "cost of attendance" as a starting point for determining the amounts and types of aid a student may receive. Cost of attendance includes: tuition and fees normally assessed a student, and an allowance for books, supplies, room and board, and personal expenses along with transportation costs. It is this total expense (cost of a college education) on which a financial aid package is based.

- Loans are a major part of a student's financial aid package. It is clear that borrowers are borrowing not only to cover direct costs of attending college but also to cover indirect costs as well.

In Oklahoma:

- The total amount of financial aid dollars awarded in all categories (loans, grants, scholarships, workstudy) in 1974-75 was $39,147,573. In 1994-95, financial aid dollars awarded increased to $392,439,682. The number of unduplicated financial recipients has more than doubled from 41,510 in 1974-75 to 100,606 in 1994-95. The average aid awarded per unduplicated recipient was $943 in 1974-75 and increased to $3,901 in 1994-95.

- In the opinion of the Council on Student Affairs, the amount of money available and number of students did indeed constitute "aid" in 1974-75. By 1994-95, the number of students and the amount of money involved far exceeded the concept of "aid" and resembled more and more a major public "investment."

- From 1988 to 1995, Oklahoma college fees and tuition increased approximately one-third as much as the amount students borrowed. It is important to note that the largest increase in loan amounts has occurred within the last three years.

- Currently, financial aid programs nationwide serve approximately 43 percent of the 16 million students enrolled in postsecondary education. In Oklahoma public institutions, 45 percent of all unduplicated headcount enrollment received financial aid in 1994-95, and it was more than 50 percent at the four-year and comprehensive institutions. By race, over half of all unduplicated headcount enrollment in the categories of Black, Native American, and Asian received some form of financial aid in 1994.95.

- The one-year average loan debt from 1985-86 to 1994-95 went from $2,887 to $4,298, an increase of 48.9 percent. With $10,000 in debt and using a standard 10-year repayment plan, students would owe about $123 a month, assuming a standard interest rate of eight percent.
- Although tuition and fees have increased nationwide, higher education costs in Oklahoma remain a bargain for students and their families.

In many ways, the Council believes it learned a lot about student financial aid resources in general, but in particular, the significant impact on Oklahoma's college students as a shift from grants to loans has occurred, particularly over the past three years. However, as a result of this examination there were many more questions raised that were unanswerable (but could serve as a vehicle for future study) given the limitations of the data used to craft this report. For example:

- Why are loans so high?

- How do we control loan volume, or should we?

- Are the right people borrowing for the right reasons?

- Is cost of borrowing to finance the cost of education worth the benefits?

- What does the economic profile of the recipient of a student loan look like?

- How is the state of Oklahoma impacted by rising student loan debt?

- What does the profile of a recipient of a non-need based scholarship in Oklahoma look like? Are there other "top" students being left out of the reward structure? Should consideration be given to spreading the dollars further, thereby lessening potential loan debt among these students?

- What is the economic profile of the student who receives significant grant funds (i.e., funds that cover one-fourth to one-half of the student's cost of attendance? What sector of the student population is being excluded and should we be content with that?

- Are we limiting access to higher education, particularly for low income students who choose not to go into debt?

RECOMMENDATIONS

Given its review of financial aid, the Council on Student Affairs proposes the following recommendations:

- Oklahoma's higher educational leaders must encourage their congressional delegation to restore the Pell Grant Program to its original promise and purchasing power. Recently, Congress authorized and the President signed a budget measure designed to increase maximum Pell Grant awards in 1997-98 from $2,470 to $2,700, a $230 dollar increase. The college work-study program, on the other hand, will receive $830 million, or a 35 percent increase over 1996. However, those gains will be neutralized given increased college costs.

- The State Regents must lead a discussion designed to find alternatives to loans for at-risk students. For those students who complete their degree programs, the economic returns from a college education are generally high, and debt levels are manageable for most. However, we must raise questions about the risk of excessive loan borrowing—and find alternatives—for: low-income students unfamiliar with and who might be deterred by debt, first generation students and/or nontraditional students struggling to survive academically and financially, and students who prefer to prepare themselves in career fields that yield a low to moderate annual income.

- Current and future college students should be educated and informed about the short and long term impact of borrowing to finance college costs. Higher education policy makers as well as the higher education community must clearly articulate to students and their families -- in meaningful ways -- the implications and responsibilities they bear for taking on increasing college debt burdens.

- A Regents' Education Program that focuses on the impact loans have on Oklahoma students (including traditional, nontraditional, and adult students) will serve to bring attention/awareness as well as offer a forum where common solutions might take shape to address this escalating trend.

- Educational Planning and Assessment System (EPAS) not only assists high school students, their parents, and counselors to better prepare for college, but also serves as a career assessment tool. FOCUS, on the other hand, is a postsecondary education planning system designed to assist 7th, 9th, and 11th grade students and their parents with early financial planning for college. The two initiatives should be linked together in such a way as to build on their individual strengths. Career assessment (which includes potential earnings)

should serve as a gauge as to how much students might save and borrow given their earning potential.

- A thoughtful and comprehensive reexamination of Oklahoma's student aid programs and delivery system is in order. Given the enormous reliance on loans by Oklahoma students along with changing student demographics, now might be the time for the State Regents to evaluate the effectiveness of Oklahoma's student aid delivery programs and system enhancements required in the program as we move into the 21st century.

- The State Regents, in consultation with system institutions, should lead a discussion to determine whether or not there are incentives that might encourage timely completion of degrees or student education objectives thereby reducing student costs.

- The OneNet communications network offers an enormous potential to allow students access to relevant and timely information. On-line access to information regarding student financial aid, in general, and specific information that details what a student must pay back and how long it takes depending on the amount borrowed should be included. The Oklahoma Kiosk model should be expanded to include these student services and to serve other areas of the state.

- Given the inability to answer some questions regarding student financial aid due to data limitations, a financial aid data collection system should be designed that allows State Regents to answer questions important to a better understanding of financial aid and its impact on all of Oklahoma's college students.

ENDNOTES

[1] The Institute for Higher Education Policy, The Next Step, June 1995, p. 3.
[2] Ibid.
[3] American Association of State Colleges and Universities and the National Association of State Universities and Land-Grant Colleges (AASCU and NASULGC), Keeping Public Education Public, July 1996, p.2.
[4] The Institute, p. 8.
[5] The Education Research Institute and The Institute of Higher Education Policy, College Debt and the American Family, September 1995, p. 16.
[6] AASCU and NASULGC, p. 1.
[7] AASCU and NASULGC, p. 2.
[8] Ibid.
[9] Gordon Gee, President, Ohio State University, Presentation at hearing entitled "The Rising Cost of College" before the House Subcommittee on Postsecondary Education, Training and Life-Long Learning, July 18, 1996.
[10] AASCU & NASULGC, p. 2.
[11] The consumer price index was used to calculate constant dollars.
[12] Rebecca S. Weiner, "Average Debt Burden for Undergrad Students Hits $10,000," Education Daily, Vol. 29, No. 157, August 15, 1996, p. 1.
[13] Ibid.
[14] Ibid.
[15] Ibid.

NOTE: A data supplement to "*Change in Oklahoma Financial Aid 1974-75 to 1994-95*" is available upon request.